

CITY OF MOUNDRIDGE

MOUNDRIDGE, KANSAS

Special Financial Statements

December 31, 2011

City of Moundridge, Kansas

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December 31, 2011

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# Knudsen Monroe & Company LLC

## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Moundridge  
Moundridge, Kansas 67107

We have audited the accompanying financial statements of the City of Moundridge, Kansas, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the City's 2010 financial statements and, in our report dated July 6, 2011, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the City has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City, as of December 31, 2011, the changes in its financial position, or where applicable, its cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City, as of December 31, 2011, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

*Knudsen, Monroe & Company LLC*

Certified Public Accountants

August 21, 2012

## City of Moundridge, Kansas

## SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended December 31, 2011

<u>Funds</u>	Unencumbered Cash Balance 12-31-10	<u>Receipts</u>	<u>Expenditures</u>	Unencumbered Cash Balance 12-31-11	<u>Encumbrances</u>	Cash Balance 12-31-11
<b>General</b>	\$ 190,235	608,083	673,842	124,476	19,042	143,518
<b>Special Revenue</b>						
Employee benefit	16,933	131,917	84,719	64,131	-	64,131
Library	1,705	60,462	61,000	1,167	-	1,167
Street maintenance	94,207	87,936	123,871	58,272	-	58,272
Airport	62,564	31,172	33,038	60,698	-	60,698
Special street and highway	94,985	66,574	52,078	109,481	-	109,481
Equipment reserve	166,178	-	14,900	151,278	-	151,278
Municipal court	27,661	8,210	12,481	23,390	-	23,390
Park	5,979	3,590	4,371	5,198	-	5,198
Health risk management	32,051	32,806	16,209	48,648	-	48,648
Pack park	120,354	9,139	3,333	126,160	-	126,160
<b>Enterprise</b>						
Electric system	349,139	2,149,608	2,118,473	380,274	136,970	517,244
Electric revenue	123,574	124	-	123,698	-	123,698
Electric reserve	586,736	774,963	685,303	676,396	5,914	682,310
Gas	361,021	333,262	249,401	444,882	5,753	450,635
Water	14,493	84,755	90,808	8,440	6,581	15,021
Refuse						
Sewer system	38,867	230,757	114,120	155,504	-	155,504
Sewer revenue	101,937	-	-	101,937	-	101,937
Sewer replacement						
	2,388,619	4,613,358	4,337,947	2,664,030	174,260	2,838,290
	50,588	76,257	69,215	57,630	1,692	59,322
<b>Component Unit</b>						
<b>Total Reporting Entity</b>	\$ 2,439,207	4,689,615	4,407,162	2,721,660	175,952	2,897,612

City of Moundridge, Kansas  
SUMMARY STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET  
Year ended December 31, 2011

	<u>Certified Budget</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
General	\$ 729,000	-	729,000	673,842	(55,158)
Special Revenue					
Employee benefit	140,000	-	140,000	84,719	(55,281)
Library	61,000	-	61,000	61,000	-
Street maintenance	200,000	-	200,000	123,871	(76,129)
Airport	55,000	-	55,000	33,038	(21,962)
Special street and highway	85,000	-	85,000	52,078	(32,922)
Municipal court	19,000	-	19,000	12,481	(6,519)
Park	9,500	-	9,500	4,371	(5,129)
Enterprise					
Electric revenue	2,330,000	-	2,330,000	2,118,473	(211,527)
Gas	1,690,000	-	1,690,000	685,303	(1,004,697)
Water	320,000	-	320,000	249,401	(70,599)
Refuse	101,000	-	101,000	90,808	(10,192)
Sewer revenue	160,000	-	160,000	114,120	(45,880)
	<u>\$ 5,899,500</u>	<u>-</u>	<u>5,899,500</u>	4,303,505	<u>(1,595,995)</u>
Add expenditures for unbudgeted funds					
Special Revenue				34,442	
Enterprise				-	
Total expenditures, Primary Government				<u>\$ 4,337,947</u>	

## City of Moundridge, Kansas

## General Fund

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		Variance -
	2010	Actual	Budget	Over
	Actual			(Under)
RECEIPTS				
Ad valorem property tax	\$ 228,191	158,379	158,743	(364)
Delinquent tax	3,164	2,360	800	1,560
Vehicle tax	24,249	29,077	28,220	857
Payment in lieu of taxes - county	-	-	100	(100)
County sales tax	196,513	206,464	195,000	11,464
Liquor tax	3,644	3,580	3,700	(120)
CDBG grant	-	47,286	-	47,286
LHA payment in lieu of tax	13,429	13,724	12,500	1,224
Franchise fees	12,698	12,655	11,000	1,655
Ambulance	142,882	108,287	120,000	(11,713)
Permits and fees	2,295	1,979	2,000	(21)
Interest	13,377	9,580	24,000	(14,420)
Economic development grant	5,580	5,516	6,000	(484)
Other	17,591	9,196	10,000	(804)
	663,613	608,083	572,063	36,020
EXPENDITURES, Page 5	669,805	673,842		
Receipts over (under) expenditures	(6,192)	(65,759)		
UNENCUMBERED CASH, beginning	196,427	190,235		
UNENCUMBERED CASH, ending	\$ 190,235	124,476		

## City of Moundridge, Kansas

**General Fund**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
EXPENDITURES				
Administration				
Personal services	\$ 5,199	5,094	6,000	(906)
Commodities and contractual services	66,882	60,701	60,000	701
Capital outlay	6,932	11,568	-	11,568
Residential housing grant	-	-	36,000	(36,000)
Police				
Personal services	170,821	177,699	180,000	(2,301)
Commodities and contractual services	23,149	20,054	33,000	(12,946)
Capital outlay	1,300	14,270	5,000	9,270
Street				
Personal services	103,005	106,039	103,000	3,039
Fire				
Commodities and contractual services	-	24,000	24,000	-
Capital outlay	60,000	36,000	36,000	-
Refuse				
Personal services	7,280	7,280	8,500	(1,220)
Ambulance				
Personal services	137,457	116,905	136,000	(19,095)
Commodities and contractual services	41,654	23,923	66,000	(42,077)
Capital outlay	13,851	940	17,000	(16,060)
Library				
Commodities and contractual services	361	5,457	4,000	1,457
Airport and pool				
Commodities and contractual services	800	1,591	10,000	(8,409)
Custodian				
Contractual services	3,350	3,300	4,000	(700)
Historical association				
Commodities and contractual services	2,764	235	500	(265)
CDBG Grant				
Administration	-	8,500	-	8,500
Capital outlay	-	38,786	-	38,786
Transfers to other funds	25,000	11,500	-	11,500
Total expenditures	<u>\$ 669,805</u>	<u>673,842</u>	<u>729,000</u>	<u>(55,158)</u>

## City of Moundridge, Kansas

## Special Revenue Funds

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		Variance -
	2010	Actual	Budget	Over
	Actual			(Under)
<b>EMPLOYEE BENEFIT FUND</b>				
RECEIPTS				
Ad valorem property tax	\$ 91,700	118,888	120,358	(1,470)
Delinquent tax	1,415	1,397	400	997
Vehicle tax	10,332	11,632	11,419	213
Payment in lieu of taxes	-	-	50	(50)
Machinery and equipment aid	-	-	500	(500)
	103,447	131,917	132,727	(810)
EXPENDITURES				
Health insurance	109,554	84,719	140,000	(55,281)
Receipts over (under) expenditures	(6,107)	47,198		
UNENCUMBERED CASH, beginning	23,040	16,933		
UNENCUMBERED CASH, ending	\$ 16,933	64,131		
<b>LIBRARY FUND</b>				
RECEIPTS				
Ad valorem property tax	\$ 52,241	52,668	53,311	(643)
Delinquent tax	812	685	200	485
Vehicle tax	6,755	7,109	6,503	606
Payment in lieu of taxes	-	-	50	(50)
Machinery and equipment aid	-	-	500	(500)
	59,808	60,462	60,564	(102)
EXPENDITURES				
Appropriations to library board	61,000	61,000	61,000	-
Receipts over (under) expenditures	(1,192)	(538)		
UNENCUMBERED CASH, beginning	2,897	1,705		
UNENCUMBERED CASH, ending	\$ 1,705	1,167		

## City of Moundridge, Kansas

## Special Revenue Funds

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		
	2010			Variance -
	Actual	Actual	Budget	Over
				(Under)
<b>STREET MAINTENANCE FUND</b>				
<b>RECEIPTS</b>				
Ad valorem property tax	\$ 94,332	71,841	72,715	(874)
Delinquent tax	2,046	1,241	500	741
Vehicle tax	16,589	13,796	11,740	2,056
Payment in lieu of taxes	-	-	50	(50)
Machinery and equipment aid	-	-	1,000	(1,000)
Other	4,641	1,058	-	1,058
	<u>117,608</u>	<u>87,936</u>	<u>86,005</u>	<u>1,931</u>
<b>EXPENDITURES</b>				
Commodities	74,202	91,713	100,000	(8,287)
Contractual services	90,046	32,158	100,000	(67,842)
	<u>164,248</u>	<u>123,871</u>	<u>200,000</u>	<u>(76,129)</u>
Receipts over (under) expenditures	(46,640)	(35,935)		
UNENCUMBERED CASH, beginning	<u>140,847</u>	<u>94,207</u>		
UNENCUMBERED CASH, ending	<u>\$ 94,207</u>	<u>58,272</u>		
<b>AIRPORT FUND</b>				
<b>RECEIPTS</b>				
Delinquent tax	\$ 303	28	50	(22)
Vehicle tax	4,081	1,185	-	1,185
Payment in lieu of taxes	-	-	20	(20)
Machinery and equipment aid	-	-	300	(300)
Fuel sales	28,260	25,342	24,000	1,342
Other	2,114	4,617	500	4,117
	<u>34,758</u>	<u>31,172</u>	<u>24,870</u>	<u>6,302</u>
<b>EXPENDITURES</b>				
Commodities	29,739	29,713	40,000	(10,287)
Contractual services	2,659	3,325	15,000	(11,675)
	<u>32,398</u>	<u>33,038</u>	<u>55,000</u>	<u>(21,962)</u>
Receipts over (under) expenditures	2,360	(1,866)		
UNENCUMBERED CASH, beginning	<u>60,204</u>	<u>62,564</u>		
UNENCUMBERED CASH, ending	<u>\$ 62,564</u>	<u>60,698</u>		

## City of Moundridge, Kansas

## Special Revenue Funds

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		
	2010			Variance -
	Actual	Actual	Budget	Over
				(Under)
<u>SPECIAL STREET AND HIGHWAY FUND</u>				
RECEIPTS				
Gasoline tax	\$ 43,829	43,909	40,000	3,909
Connecting link	12,000	12,101	12,000	101
Other	9,577	10,564	12,000	(1,436)
	<u>65,406</u>	<u>66,574</u>	<u>64,000</u>	<u>2,574</u>
EXPENDITURES				
Commodities	49,420	52,078	20,000	32,078
Contractual services	11,228	-	65,000	(65,000)
	<u>60,648</u>	<u>52,078</u>	<u>85,000</u>	<u>(32,922)</u>
Receipts over (under) expenditures	4,758	14,496		
UNENCUMBERED CASH, beginning	90,227	94,985		
UNENCUMBERED CASH, ending	<u>\$ 94,985</u>	<u>109,481</u>		
<u>EQUIPMENT RESERVE FUND</u>				
RECEIPTS				
Transfers from other funds	\$ 70,000	-		
EXPENDITURES				
Capital outlay	15,125	14,900	NOT APPLICABLE	
Receipts over (under) expenditures	54,875	(14,900)		
UNENCUMBERED CASH, beginning	111,303	166,178		
UNENCUMBERED CASH, ending	<u>\$ 166,178</u>	<u>151,278</u>		

## City of Moundridge, Kansas

**Special Revenue Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		
	2010			Variance -
	Actual	Actual	Budget	Over
				(Under)
<u>MUNICIPAL COURT FUND</u>				
RECEIPTS				
Fines	\$ 11,249	8,210	13,000	(4,790)
EXPENDITURES				
Legal services	3,894	2,625	4,000	(1,375)
Judges fees	6,600	6,300	7,000	(700)
Other court expense	3,268	3,556	8,000	(4,444)
	13,762	12,481	19,000	(6,519)
Receipts over (under) expenditures	(2,513)	(4,271)		
UNENCUMBERED CASH, beginning	30,174	27,661		
UNENCUMBERED CASH, ending	\$ 27,661	23,390		
<u>PARK FUND</u>				
RECEIPTS				
Transfers from other funds	\$ 5,000	-	-	-
Liquor tax	3,644	3,580	3,700	(120)
Other	-	10	-	10
	8,644	3,590	3,700	(110)
EXPENDITURES				
Personal services	1,821	1,468	3,000	(1,532)
Commodities	3,129	2,195	3,000	(805)
Contractual services	3,119	708	3,500	(2,792)
Capital outlay	4,760	-	-	-
	12,829	4,371	9,500	(5,129)
Receipts over (under) expenditures	(4,185)	(781)		
UNENCUMBERED CASH, beginning	10,164	5,979		
UNENCUMBERED CASH, ending	\$ 5,979	5,198		

## City of Moundridge, Kansas

## Special Revenue Funds

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		
	2010			Variance -
	Actual	Actual	Budget	Over
				(Under)
<u>HEALTH RISK MANAGEMENT FUND</u>				
RECEIPTS				
Transfers from other funds	\$ -	32,750		
Interest	-	56		
	-	32,806		
EXPENDITURES				
Benefits paid	5,519	16,199		
Other	-	10		
	5,519	16,209		
Receipts over (under) expenditures	(5,519)	16,597		
UNENCUMBERED CASH, beginning	37,570	32,051		
UNENCUMBERED CASH, ending	\$ 32,051	48,648		
<u>PACK PARK FUND</u>				
RECEIPTS				
Grain sales and other	\$ 22,427	9,139		
EXPENDITURES				
Commodities	2,798	2,605		
Contractual	230	728		
	3,028	3,333		
Receipts over (under) expenditures	19,399	5,806		
UNENCUMBERED CASH, beginning	100,955	120,354		
UNENCUMBERED CASH, ending	\$ 120,354	126,160		

NOT APPLICABLE

NOT APPLICABLE

## City of Moundridge, Kansas

**Enterprise Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		Variance -
	2010	Actual	Budget	Over
	Actual			(Under)
<b><u>ELECTRIC REVENUE FUND</u></b>				
<b>RECEIPTS</b>				
Sales	\$ 1,941,281	2,147,059	2,200,000	(52,941)
Connection fees and other	2,756	2,549	15,000	(12,451)
	<u>1,944,037</u>	<u>2,149,608</u>	<u>2,215,000</u>	<u>(65,392)</u>
<b>EXPENDITURES</b>				
Personal services	332,138	366,493	390,000	(23,507)
Commodities and contractual services	122,101	157,242	140,000	17,242
Electricity purchases	1,290,364	1,583,585	1,700,000	(116,415)
Transfers to other funds	50,000	11,153	100,000	(88,847)
	<u>1,794,603</u>	<u>2,118,473</u>	<u>2,330,000</u>	<u>(211,527)</u>
Receipts over (under) expenditures	149,434	31,135		
UNENCUMBERED CASH, beginning	199,705	349,139		
UNENCUMBERED CASH, ending	<u>\$ 349,139</u>	<u>380,274</u>		
<b><u>ELECTRIC RESERVE FUND</u></b>				
<b>RECEIPTS</b>				
Interest	\$ -	124		
<b>EXPENDITURES</b>				
	<u>-</u>	<u>-</u>		
Receipts over (under) expenditures	-	124		
UNENCUMBERED CASH, beginning	123,574	123,574		
UNENCUMBERED CASH, ending	<u>\$ 123,574</u>	<u>123,698</u>		

## City of Moundridge, Kansas

**Enterprise Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		
	2010			Variance -
	Actual	Actual	Budget	Over
				(Under)
<u>GAS FUND</u>				
<u>RECEIPTS</u>				
Sales	\$ 847,334	771,356	1,600,000	(828,644)
Connection fees and other	2,547	3,607	10,000	(6,393)
	<u>849,881</u>	<u>774,963</u>	<u>1,610,000</u>	<u>(835,037)</u>
<u>EXPENDITURES</u>				
Personal services	100,214	103,865	105,000	(1,135)
Contractual services	33,976	27,188	50,000	(22,812)
Commodities	27,822	25,092	35,000	(9,908)
Gas purchases	584,677	524,703	1,400,000	(875,297)
Capital outlay	4,766	1,545	100,000	(98,455)
Transfers to other funds	-	2,910	-	2,910
	<u>751,455</u>	<u>685,303</u>	<u>1,690,000</u>	<u>(1,004,697)</u>
Receipts over (under) expenditures	98,426	89,660		
UNENCUMBERED CASH, beginning	<u>488,310</u>	<u>586,736</u>		
UNENCUMBERED CASH, ending	<u>\$ 586,736</u>	<u>676,396</u>		
<u>WATER FUND</u>				
<u>RECEIPTS</u>				
Sales	\$ 258,779	330,289	300,000	30,289
Connection fees and other	5,419	2,973	10,000	(7,027)
	<u>264,198</u>	<u>333,262</u>	<u>310,000</u>	<u>23,262</u>
<u>EXPENDITURES</u>				
Personal services	91,862	94,390	100,000	(5,610)
Contractual services	52,845	76,669	70,000	6,669
Commodities	98,628	72,191	150,000	(77,809)
Capital outlay	-	1,839	-	1,839
Transfers to other funds	-	4,312	-	4,312
	<u>243,335</u>	<u>249,401</u>	<u>320,000</u>	<u>(70,599)</u>
Receipts over (under) expenditures	20,863	83,861		
UNENCUMBERED CASH, beginning	<u>340,158</u>	<u>361,021</u>		
UNENCUMBERED CASH, ending	<u>\$ 361,021</u>	<u>444,882</u>		

## City of Moundridge, Kansas

## Enterprise Funds

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		Variance -
	2010	Actual	Budget	Over
	Actual			(Under)
<u>REFUSE FUND</u>				
RECEIPTS				
User fees	\$ 76,122	84,755	90,000	(5,245)
EXPENDITURES				
Personal services	13,245	12,814	15,000	(2,186)
Commodities	111	105	1,000	(895)
Contractual services	75,188	77,889	85,000	(7,111)
	88,544	90,808	101,000	(10,192)
Receipts over (under) expenditures	(12,422)	(6,053)		
UNENCUMBERED CASH, beginning	26,915	14,493		
UNENCUMBERED CASH, ending	\$ 14,493	8,440		
<u>SEWER REVENUE FUND</u>				
RECEIPTS				
User fees	\$ 120,727	230,607	140,000	90,607
Other	450	150	1,000	(850)
	121,177	230,757	141,000	89,757
EXPENDITURES				
Personal services	44,271	45,276	55,000	(9,724)
Commodities and contractual services	69,525	63,843	90,000	(26,157)
Capital outlay	8,962	2,126	15,000	(12,874)
Transfers to other funds	-	2,875	-	2,875
	122,758	114,120	160,000	(45,880)
Receipts over (under) expenditures	(1,581)	116,637		
UNENCUMBERED CASH, beginning	40,448	38,867		
UNENCUMBERED CASH, ending	\$ 38,867	155,504		

## City of Moundridge, Kansas

**Enterprise Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		Variance -
	2010	Actual	Budget	Over
	Actual			(Under)
<u>SEWER REPLACEMENT FUND</u>				
RECEIPTS	\$ -	-		
EXPENDITURES				
Contractual services	17,628	-	NOT APPLICABLE	
Receipts over (under) expenditures	(17,628)	-		
UNENCUMBERED CASH, beginning	119,565	101,937		
UNENCUMBERED CASH, ending	<u>\$ 101,937</u>	<u>101,937</u>		

City of Moundridge, Kansas  
**Component Unit**  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
 Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b><u>LIBRARY BOARD</u></b>		
<b>RECEIPTS</b>		
City of Moundridge - Library fund	\$ 61,000	61,000
State and local grants	12,138	14,598
Interest	399	725
Other	2,720	2,182
	<u>76,257</u>	<u>78,505</u>
<b>EXPENDITURES</b>		
Personal services	37,459	37,900
Books, periodicals and materials	24,308	24,373
Technology	3,626	11,841
Operating expenses and other	3,822	4,300
	<u>69,215</u>	<u>78,414</u>
Receipts over (under) expenditures	7,042	91
UNENCUMBERED CASH, beginning	50,588	50,497
UNENCUMBERED CASH, ending	<u>\$ 57,630</u>	<u>50,588</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Moundridge is a municipal corporation governed by an elected five-member council. These financial statements present the City of Moundridge (the primary government) and its component unit. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The component unit section of the financial statements includes the financial data of the discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the City. The governing body of this component unit is appointed by the City.

Moundridge Public Library The City of Moundridge Library Board operates the City's public library. The City provides funding for the library through special revenue and general fund appropriations.

Related Organization

The Moundridge Housing Authority is a related organization that is not included in the financial reporting entity. The Authority was created to administer public housing programs authorized by the United States Housing Act of 1937, as amended. Revenues consist of housing assistance payments from the U.S. Department of Housing and Urban Development and rent received from eligible low income tenants.

Basis of Accounting

These financial statements are presented on a statutory basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for good and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, building, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

2. FUND DESCRIPTION

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the City for the year of 2011:

Governmental Funds

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds--to account for the proceeds of specific revenue sources other than special assessments or major capital projects that are restricted by law or administrative action to expenditure for specified purposes.

Proprietary Funds

Enterprise Funds--to account for operations that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
2. Public hearing on or before August 15th, but at least ten days after publication on notice of hearing.
3. Adoption of the final budget on or before August 25<sup>th</sup>.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The 2011 water fund budget was amended.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

3. BUDGETARY INFORMATION (Continued)

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified cash basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for enterprise reserve funds and the following special revenue funds:

Equipment Reserve Fund  
Health Risk Management Fund  
Pack Park Fund

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

4. COMPLIANCE WITH KANSAS STATUTES

Depository Security Violation

The City's deposits were not adequately secured as required by K.S.A. 9-1402 and 9-1405 for approximately 12 days during the year ended December 31, 2011.

5. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the city is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no investment policy that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices. As of December 31, 2011, the City's investments included only bank certificates of deposit with a fair value of \$836,235, which are not subject to investment rating.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011

## 5. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has not designated peak periods. All deposits were legally secured at December 31, 2011.

At December 31, 2011, the carrying amount of the City's deposits, including component units, was \$2,897,012. The bank balance totaled \$2,929,820. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$328,364 was covered by FDIC insurance and the remaining \$2,601,456 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Composition of Cash Balance

The cash balance consisted of the following at December 31, 2011:

	Primary Government	Component Unit	Total
Cash on hand	\$ 600	-	600
Financial institution deposits			
Checking accounts:			
Operating	1,575,996	19,023	1,595,019
Customer deposits	12,624	-	12,624
Savings and time deposits:			
Money market	412,835	6,459	419,294
Time deposits	836,235	33,840	870,075
	<u>\$ 2,838,290</u>	<u>59,322</u>	<u>2,897,612</u>

## 6. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Moundridge contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Topeka, KS 66603) or by calling 1-888-275-5737.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011

## 6. DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4.00% to 6.00% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute was 7.74% at December 31, 2011. The City of Moundridge contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$55,127 and \$47,736 and \$41,236 respectively, equal to the statutory required contributions for each year.

## 7. DEFERRED COMPENSATION PLAN

During the year ended December 31, 2003, the City began offering its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Assets of the plan, valued at current market prices, are held in trust for the benefit of the participants by the insurance company.

All amounts of compensation deferred under the plan as well as earnings attributable to those amounts are solely the property of the participant employees. Accordingly, the assets and related liabilities for the plan are not recorded in the accompanying financial statements.

The following schedule summarizes activity in the accounts maintained by the insurance company during the year ended December 31, 2011:

Balance, December 31, 2010	\$ 574,513
Deposits – compensation deferred by participants	37,358
Rollovers	4,307
Withdrawals	(293,243)
Change in market value	3,398
Costs	<u>-</u>
Balance, December 31, 2011	\$ <u>326,333</u>

## 8. COMPENSATED ABSENCES

Full-time employees earn vacation as follows:

Completion of one year of employment	6 days
Completion of two through five years of employment	12 days
Completion of six through ten years of employment	15 days
Completion of eleven through nineteen years of employment	20 days
After twenty years of employment	24 days

Unused vacation time has not been recorded as a liability in the accompanying financial statements.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011

## 8. COMPENSATED ABSENCES (Continued)

Full-time employees earn 12 days of paid sick leave in one year of service which can be accumulated to a maximum of 100 days. Unused sick leave is not paid to employees upon termination. Unused sick leave has not been recorded in the accompanying financial statements.

## 9. SELF INSURANCE - RISK MANAGEMENT

The City maintains a Health Risk Management fund to partially self-insure the health insurance for employees. Under the City's health insurance plan, the City will pay the \$250 deductible for employees as well as the 20 percent co-pay of the next \$1,000 of medical expenses. The cost of the plan for the City was \$16,199 for the year ending December 31, 2011.

## 10. INTERFUND TRANSFERS

Transfers between funds consisted of the following during the year ended December 31, 2011:

<u>Transfers To</u>	<u>Transfers From</u>					<u>Total</u>
	<u>General</u>	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	
Health Risk Management	\$ 11,500	11,153	2,910	4,312	2,875	32,750

## 11. DATE OF MANAGEMENT'S REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2011, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through August 21, 2012, which is the date at which the financial statements were available to be issued.